

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI*WEFA's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2001 to the July 2001 *Idaho Economic Forecast*. The April 2001 Idaho forecast is based on DRI's March 2001 U.S. macroeconomic forecast and the July 2001 Idaho forecast is driven by DRI*WEFA's June 2001 forecast.

DRI*WEFA has once again reduced its expectations for the U.S. economy. In general, several key economic variables follow a lower trajectory over time, resulting in an economy that is sub-par compared to the previous forecast. Real GDP, the broadest measure of the economy's health, is a good example. In the previous forecast it was believed this measure would advance 1.7% this year, 3.3% next year, 4.4% in 2003, and 4.0% in 2004. In the current forecast real GDP grows 1.7% in 2001, 2.3% in 2002, and 3.1% in both 2003 and 2004. As a result, by 2004 real GDP is about \$300 billion lower than had been previously forecasted. Real personal income displays a similar pattern. Instead of averaging 3.3% annual growth as in the previous forecast, it advances just 2.8% per year. Interestingly, despite the weaker economic outlook, inflation is higher through 2004. The job picture is mixed. While there are more jobs in 2001 and 2002, this situation reverses in the last two years of the forecast, with the number of jobs below the previous forecast. The real GDP forecast hints at why this is the case. In the previous forecast it was assumed the U.S. economy would post a stronger recovery (about 4.0% annual real GDP growth in 2003 and 2004) after the slowdown. DRI*WEFA has tempered the real GDP annual pace back to around 3.0% during the recovery in the current forecast.

The nonfarm employment and personal income data on the table of the facing page show the outlook for the Idaho economy has also been downgraded. Interestingly, Idaho nonfarm employment in 2001 is slightly higher than previously projected. This advantage is the result of the stronger-than-anticipated job growth at the end of last year. However, this advantage should be fleeting, as the cooling economy takes its toll at the state level. By 2004, Idaho nonfarm employment is expected to fall about 2,600 short of the level forecasted in April 2001. Mirroring the weakness at the national level, nearly two-third of this drop is in Idaho's manufacturing sector. The forecast for nominal Idaho personal income is actually higher in each year. However, this advantage erodes over time because of the projected higher inflation. Specifically, Idaho real personal income is \$38 million higher this year, but by 2004 it is \$610 lower than had been forecast in April 2001.

IDAHO ECONOMIC FORECAST
FORECASTS COMPARISON
DIFFERENCES BETWEEN
JULY 2001 AND APRIL 2001 FORECASTS

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|------|------|-------|--------|--------|--------|
| GDP (BILLIONS) | | | | | | |
| Current \$ | 0 | 0 | 36 | 36 | -1 | -27 |
| % Difference | 0.0% | 0.0% | 0.3% | 0.3% | 0.0% | -0.2% |
| 1996 Chain-Weighted | 0 | 0 | 3 | -87 | -212 | -305 |
| % Difference | 0.0% | 0.0% | 0.0% | -0.9% | -2.1% | -2.9% |
| PERSONAL INCOME - CURR \$ | | | | | | |
| Idaho (Millions) | 45 | 399 | 187 | 82 | 125 | 77 |
| % Difference | 0.2% | 1.3% | 0.6% | 0.2% | 0.3% | 0.2% |
| U.S. (Billions) | 0 | 1 | 24 | 28 | 22 | 16 |
| % Difference | 0.0% | 0.0% | 0.3% | 0.3% | 0.2% | 0.2% |
| PERSONAL INCOME - 1996 \$ | | | | | | |
| Idaho (Millions) | 40 | 368 | 38 | -228 | -399 | -610 |
| % Difference | 0.1% | 1.3% | 0.1% | -0.7% | -1.2% | -1.8% |
| U.S. (Billions) | 0 | 1 | -13 | -54 | -115 | -163 |
| % Difference | 0.0% | 0.0% | -0.2% | -0.7% | -1.4% | -1.9% |
| TOTAL NONFARM EMPLOYMENT | | | | | | |
| Idaho | -7 | 442 | 635 | -1,276 | -1,926 | -2,560 |
| % Difference | 0.0% | 0.1% | 0.1% | -0.2% | -0.3% | -0.4% |
| U.S. (Thousands) | 129 | 350 | 641 | 443 | -521 | -1,324 |
| % Difference | 0.1% | 0.3% | 0.5% | 0.3% | -0.4% | -1.0% |
| GOODS PRODUCING SECTOR | | | | | | |
| Idaho | 0 | 153 | 414 | -744 | -1,409 | -1,823 |
| % Difference | 0.0% | 0.1% | 0.4% | -0.6% | -1.2% | -1.5% |
| U.S. (Thousands) | 26 | 42 | 63 | 55 | -40 | -210 |
| % Difference | 0.1% | 0.2% | 0.3% | 0.2% | -0.2% | -0.8% |
| SERVICE PRODUCING SECTOR | | | | | | |
| Idaho | -7 | 289 | 221 | -531 | -517 | -737 |
| % Difference | 0.0% | 0.1% | 0.0% | -0.1% | -0.1% | -0.2% |
| U.S. (Thousands) | 103 | 308 | 578 | 387 | -481 | -1,114 |
| % Difference | 0.1% | 0.3% | 0.5% | 0.4% | -0.4% | -1.0% |
| FINANCIAL MARKETS | | | | | | |
| Federal Funds Rate | 0.0 | 0.0 | -0.8 | -1.3 | -1.1 | -0.8 |
| Bank Prime Rate | 0.0 | 0.0 | -0.8 | -1.3 | -1.1 | -0.8 |
| Mort Rate, Existing Homes | 0.0 | 0.0 | 0.5 | 0.4 | 0.0 | -0.1 |
| INFLATION | | | | | | |
| GDP Price Deflator | 0.0 | 0.0 | 0.4 | 1.3 | 2.4 | 3.1 |
| Personal Cons Deflator | 0.0 | 0.0 | 0.5 | 1.1 | 1.8 | 2.4 |
| Consumer Price Index | 0.0 | 0.0 | 1.2 | 2.5 | 3.9 | 5.0 |

Forecast Begins the FIRST Quarter of 2001